

# New recruits in sg cowen essay



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Case Preparation Summary – SG Cowen Short-Cycle Summary SG Cowen, an investment bank, is in the process of hiring a new class of associates. In this process, there remain two available positions, and Chip Rae, the Director of Recruiting, and a group of 30 bankers have four candidates to choose from. The group is having a hard time deciding how they will extend the offers, primarily due to their different opinions based on an evaluation system that allows biased and inconsistent feedback.

The time frame for the decision is as soon as possible, since all present are anxious to leave given the inclement weather and the fact that this is a Saturday with bankers who would rather be home on their day off. Long-Cycle Summary Basic The main issue in this case is easier to understand if we analyze the background of the hiring process at SG Cowen. The economic environment leading to this point had made available an increasing pool of candidates from top business schools, which made the selection process more difficult.

Chip Rae, the director of recruiting, had adopted a model for recruiting, in which SG Cowen recruiters would not go to the top 10 business schools, where they would only get interest from the middle-of-the-class students, but instead, they would go to the other business schools in the top 25, where they were able to recruit the top students. As part of the process, Chip assigned team captains to the schools where SG Cowen recruited and tried to match up alumni with their own school. The recommendation was then made by the recruiters based on how serious and enthusiastic the candidates were.

The top candidates selected were then brought to the corporate office for the final round of interviews. This event was called Super Saturday. Bonuses and incentives were based in part on the performance of a new recruit a banker brought to the company through this hiring process. The final round of interviews is where we observe the main issue. SG Cowen, while having a very structured process, did not perform very structured interviews. This lead to biased observations and a lack of consistent scoring criteria. The overall score of a candidate depended heavily on who was performing the interview.

As an example, two qualities that the bankers fought for were: " prepared and eager", which are very biased traits and not necessarily historical signs for a good fit. Another issue observed is an apparent disconnect in desired key attributes between lower and top level interviewers, which created discrepancy between the banker's opinions of what the best fit among the four candidates was. Interviewers had a process that told them what to do in the interview process but not how to do it. This system (or a lack thereof) ultimately led to the situation that encouraged a rush job.

This process also required an unnecessary amount of man hours. There was also illegal basis in the line of questioning and subsequent biased reasoning during the decision making process. Immediate The immediate issue involves the group's ability to come to a consensus. Chip needs to have the bankers imagine putting the candidates on their own team and figure out which of the four they would take personal responsibility for. He should direct them to decide in terms of who would bring the most to the table in the long run and have longevity with the company.

He should either make no decision at this time or advise them to try and look past their preconceptions about the candidates and look towards what they have accomplished, what they could accomplish and how that would fit into the scheme of things for SG Cowen. Importance and Urgency There is definitely a strong urgency to make a decision with 30 high level bankers taking a Saturday to make this decision. But the importance of making the right hire outweighs the pressure to make an immediate choice.

The long term ramifications of potentially making the wrong choice outweigh the short term need to choose between four insufficient candidates chosen through a flawed process. Case Analysis Cause and Effect There are multiple root causes that have created a domino effect leading to issues within SG Cowen's hiring. From the outset, critical incidents and key attributes are not selected resulting in a large gray area for candidates selection by the end of the process. There is no structured interview process in place leading the interviewers to be highly susceptible to bias and make decisions based on gut feel and intuition. No concrete and standardized method exists making a level playing field an impossibility which causes a comparison of employees to be unreliable across raters. Because the process has so many working parts, it makes the company feel like they are getting the best employees in the best way. This is not likely the case and it is very inefficient. Doing the wrong thing a lot never makes it right. By involving hiring in bonus incentive procedures, SG Cowen creates an internal conflict of interest.

This can cause interviewers to push for their candidates beyond where they should in self interest. Dramatic changes in the industry as a whole also led to issues for the company. There was a dramatic shift in the caliber of

employees, necessitating a change in hiring practices. This precipitated the creation of an inefficient, if comprehensive, hiring practice

Qualitative/Quantitative While there is little data provided to back up quantitative claims to the success of the hiring procedures, we do get a few numbers to work with. The case gives us insight into how candidates are whittled down, for example.

On each campus, 24 applicants are narrowed to 6 possibilities in a first set of interviews. Those 6, in turn are filtered down to 3 in a second round of interviews. The 3 candidates are invited to Super Saturday, which hosts candidates from 10 schools, for a total of 30 candidates at each Super Saturday. At Super Saturday, 20 of the 30 candidates are extended an offer with an expected decline rate of 25%. These approximately 15 candidates will join 8 hires from SG Cowen's summer associates program and 7 hires from the third year analysts' pool to create an incoming class size of 30.

As a reader, the numbers suggest that there is a very structured method for these hires and we are likely to assume there is great data backing up their decision in this hiring method. There are many questions left on the table, though. For example, should all schools be limited to 3 representatives at Super Saturday? Should historically high-performing schools be given a higher admission? Is program size taken into consideration? Should two similarly-ranked schools with a very disproportionate student size send the same number of candidates to Super Saturday?

We also are given some indicators of school bias in the case, but limited reasoning behind those anomalies. For example, we know that Cornell has

the highest yield of incoming students among Cowen's top recruiting schools. However, we do not know if this is a result of skewed hiring (favoritism) or the result of better candidates. We also do not know actual numbers to discern if the higher yield is statistically significant. Alternative Generation The case leaves us to assume we should follow the existing structure of SG Cowen and select two of the four candidates remaining to complete the class.

Given what Chip knows about the possible hires, he could just push for a fast decision. He would likely get concession from the bankers who are anxious to leave in order to beat the storm. This solution would get everyone home and the offers would be extended. Many times the supposed "bottom of the barrel" can yield great results. For example, the Patriot's famed quarterback, Tom Brady, was chosen 199th in the NFL draft. Chip could arbitrarily select two of the four and hope for the best. Another short-term alternative would be to postpone a hiring decision.

The remaining candidates in question could be presented, on paper, to an unbiased set of bankers early in the following week with offers to be extended later that week. This would also get everyone home quickly and provide an opportunity to reevaluate the "question mark" candidates with fresh eyes and without having the stress of a Super Saturday in tow. As for longer term and structural alternatives, SG Cowen could continue to take applicants from the top schools, starting at school number 11.

But perhaps this practice could be expanded to include students from the top 25 or 30 ranked schools, with a gradient scale of invites to Super

Saturday where top schools get three invites, mid-range get two, and the lowest get one. This involves more time on campuses, but adds a great level of diversity in candidates. Their success pattern of finding the cream of the crop at “ lesser” schools rather than the midrange students at top-tier schools appears to be at least somewhat scalable.

Regarding the hiring process, SG Cowen could benefit from creating a focus group that includes both upper- and lower-level bankers to collaborate and come up with key roles and attributes of successful employees. Requiring specific follow-up or probing questions can help remove some of the bias that can currently affect the less-structured interviewing procedure currently in place. A system could be devised to rank interviewers involved to discern between the “ harder” interviewers and the “ softer” ones.

Historical data could be gathered on how interviewers rate candidates to give a better sense of interviewing “ difficulty” for the candidates involved. For example, a tough interviewer may give an average of 3. 2 on a 5 point scale where a softer one has a historical average of giving candidates a 4. 4. If a candidate scored an average of 4 points on all “ hard” interviewers, they will have performed better than a candidate that scored an average of 4 on all “ soft” interviewers.

To remove some selection bias based on schools, a single-blind system could be devised where candidates are not allowed to provide their school information on a resume or to discuss their school with interviewers during the Super Saturdays. This would remove a degree of favoritism from interviewers who may be alums of the candidate’s school. Decision Criteria

Quantitative Criteria: Effect on staff turnover: Because SG Cowen seeks to remain a boutique-style firm, its priority is establishing valuable and lasting relationships with its clients.

Clients often develop an attachment to the SG Cowen employees with whom they do business, so having too high a staff turnaround can negatively impact customer relations and therefore hurt the business. The goal is to hire employees who will stay with the company longer and establish long-lasting relationships with SG Cowen's clients. Effect on quality of service: Due to the level of customer service SG Cowen wants to maintain, it is imperative to hire new employees that will work well with clients and quickly become proficient at providing the care and attention to detail clients have come to expect from SG Cowen.

Chip's decision should therefore enable the company to hire employees that will reflect this focus on excellent customer service. Time to implement: The bankers involved in the recruitment process have given up their Saturdays to come evaluate applicants. Each of the four candidates currently under evaluation is the result of many hours of interviews and contacts on the part of SG Cowen employees. While those time expenditures must be considered as sunk costs when viewing the current situation, any delay in the recruitment process will mean additional time sacrificed by employees.

This may adversely affect the buy-in of the staff or their overall morale if such a delay were implemented. Qualitative Criteria: Effect on cultural fit: SG Cowen has developed a unique culture which values selfstarters, extreme dedication to the firm and to clients, and open communication between



groups. Hiring the wrong candidate would be throwing a wrench into the carefully-meshed cogs of relationships and expectations that exist in the company. Hiring the right candidate would ensure the preservation and reinforcement of the company's values. Assessment/Selection of Preferred Alternative Alternatives Criteria Turnover Quality 1.

Hire 2 applicants 1 3 2 1 3 2 Fit 1 3 2 Time 3 1 2 1. 3 2. 7 2 Overall score 2.

Hire none and redesign recruiting process 3. Postpone hiring, reevaluate the candidates. Weight 25% 35% 25% 15% Based on the grading of the proposed alternatives, the best alternative appears to be to hire none of the candidates and redesign the recruiting process for SG Cowen. Extensive research has shown that developing behavioral profiles that fit the culture and mission of the company and incorporating these profiles into a structured interview process will generate the best results from recruiting.

The only foreseeable downside to choosing this alternative is the time it will take to implement. Staff who have already sacrificed numerous hours to narrow the current list of candidates down to four may be frustrated to learn that their efforts did not produce new employees. The alternative with the shortest time to implement was to hire two applicants right away and get everyone home. This would make at least half of the interviewers feel like they have contributed to the hiring of new employees, but inevitably the bankers whose favorites were not picked will be disappointed.

Because SG Cowen is currently not using a structured interview process based on behavioral profiles, there is no guarantee that the candidates chosen will provide the quality of service expected, fit well with the culture,

or even remain long with the company. Postponing the hiring of associates from the four candidates and having unbiased parties at the company reevaluate them would be more effective than hiring two applicants right away, but there are still serious problems with this approach. While submitting the candidates to further scrutiny should help determine which two of the four would be better qualified, fit in with the culture and remain longer with the company, there is very little concrete evidence to support SG Cowen's choice of the four candidates in the first place. They have made it through a series of hurdles founded in bias and opinion rather than a structured and quantifiable process, so Chip cannot be confident that any two from the group will be ideal. Action/Implementation Plan Chip Rae should decide to revamp the selection strategy approach. This starts at the very root of the process. Begin with the business school base from which SG Cowen establishes their applicant pool.

The company's idea to find the elite talent from the second tier schools is an excellent approach in theory. Chip Rae should continue to maintain that focus, but broaden it to all the top 25 schools outside of the top ten. This would expand SG Cowen's base of applicants from the current nine schools to all fifteen. This may eliminate some optimal candidates from specific schools during deeper years, but pulling one to two from each school, they will keep supply of positions per school low, demand high, and ensure the highest level candidates from year to year.

By selecting only two candidates maximum from an individual school the company will eliminate potential alumni bias (ie. Cornell). In order to create a more standardized hiring procedure, Chip Rae should create focus groups

that involves both upper and lower levels of SG Cowan banking managers who will Collaborate on the key roles and attributes inherent in top performing new hires. Specific questions that hone in on those key key factors should be arranged into a formal structured interview. The evaluation form should be updated to reflect a 5 point rating scale that relates to each question.

This will effectively remove a large part of the personal bias left on the lowest level of interview. and should cut down on the need for second interviews If a second round remains necessary, leave the option to call back and clarify the identified core attributes (dedicated, Loyal, Eager, Team player) with alternative questions structured around those same key roles. Super Saturday is an excellent idea, but requires drastic changes to be more effective. The structured interview should be crafted at this level as well to eliminate much of the personal bias that has historically been present.

At this level, all applicants should have the proper achievements necessary, so no resumes would be provided at the final stage to help remove interviewer bias. SG Cowen should limit the field of interviewing managers to 15 for the 30 employees who should all be briefed in proper structured interview techniques. Each applicant is interviewed three times and the ranked aggregate scores from the revamped evaluation form will provide the top choices. If any gray area still exists. Chip Rae would handle the last line of interviews to find which candidate best matches the key traits dictated by the focus group.